

HAVE YOU CONSIDERED **A PASSIVE INVESTMENT?**

REASONS SELLERS CONSIDER INVESTING INTO A DELAWARE STATUTORY TRUST FOR THEIR REPLACEMENT PROPERTY:

- 1. Trapped Equity** – owners of investment real estate often make the mistake of calculating the return on their investment based on their original investment, not the current value of the property. Plus, given the current interest rate environment, a cash out refinance may not be as attractive as in years past.
- 2. Tired Landlord** – at some point owners may no longer have the desire or energy to deal with the responsibilities that come with active real estate ownership.
- 3. Unable to find suitable replacement property in a 1031 exchange** – 45 days to identify replacement property can go very quickly. Feeling “forced” to purchase a less than ideal property is never a good situation.
- 4. Depreciation is exhausted** – depreciation is one of the best reasons to own real estate. “Buying up” utilizing a passive investment like a DST can help to shield some of the income from taxes.
- 5. Unable to secure competitive financing rate** – replacing the value of the debt that was paid off on the relinquished property is part of the requirement to structure a fully tax deferred 1031 exchange. The current interest rates can make this challenging. A DST has built in financing that can satisfy the debt requirement of an exchange.
- 6. Funds left over in exchange** – sometimes purchasing replacement property leaves funds in the 1031 exchange. If these funds are not reinvested into replacement property – they are considered “boot” and taxes would need to be paid. Using a DST investment, the taxes can be deferred, plus the investor can receive a monthly income stream.
- 7. Diversification** – a seller could go from owning one asset class in a single market (i.e. an apartment building in Minneapolis) to owning a diversified portfolio of investments across different asset classes (industrial, senior living, self-storage, multifamily), DST sponsors, and geographic locations.

CALL ME TO DISCUSS YOUR SPECIFIC SITUATION

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DST properties are for accredited investors (generally described as having a net worth of over 1 million dollars exclusive of primary residence) and accredited entities only. IRC Section 1031 is a complex tax concept; consult your legal or tax professional regarding the specifics of your situation. This material is not to be construed as tax or legal advice. Diversification does not guarantee returns and does not protect against loss.

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